Financial Institutions

Environment and Labour

A Consumer's Auto Insurance Guide

2nd edition

Auto insurance is a mandatory product for all drivers in Nova Scotia. However, understanding this complex product is not easy.

Do you find shopping for the best auto insurance coverage confusing? Or get frustrated by all the jargon? What goes into an auto insurance policy? What happens if I make a claim? This guide addresses many of your questions on insurance.

Choices you make may affect your premium, but many of these depend on your personal circumstances. Insurance rates are set by insurance companies, but remember that your rates also depend on a number of factors that you can control. Read this guide for information on buying auto insurance and be sure to discuss your policy and personal circumstances with your insurance representative.

Things you should know before purchasing auto insurance.

What is insurance?
Insurance is a contract between you and your insurer. This contract protects you against specific risk or loss. As individual consumers, when we pay our insurance premium, we are in fact placing our money into a pool of money along with thousands of other consumers. That pool is then used to reimburse the claims of the few who have the misfortune to be in an auto accident.

What is a premium?
A premium is the money you pay for insurance. The actual amount you are charged is based on the insurance company's assessment of the amount of risk it must accept to insure your car.

What coverage am I required to have in Nova Scotia?

In Nova Scotia, every automobile used on public roadways must be insured. You must have coverage for third party liability, accident benefits, and accidents caused by uninsured and unidentified motorists.

- Third-party liability insurance covers you if you injure someone or damage someone else's property with your auto and they sue you. You must have at least $500,000 of liability coverage. Most Nova Scotians carry at least $1,000,000.
- Accident benefits include medical and rehabilitation expense benefits, funeral expense benefits, and loss of income benefits for yourself and other passengers in the event of an accident.
- Uninsured and unidentified automobile insurance covers you if you are involved in an accident with an uninsured or unidentified automobile.

For a detailed description of what is in a typical insurance policy please see page 7.

What additional coverage should I consider?

The optional coverages are generally known as collision and comprehensive:

- Collision or upset insurance covers damage to your vehicle caused by collision or upset regardless of who's at fault. Your economic losses are covered, less the amount of your deductible.
- Comprehensive insurance covers loss or damage to your vehicle through theft, vandalism, or fire. Loss caused by theft and fire may not be subject to a deductible.

Both collision and comprehensive insurance coverage have deductible amounts that you must pay when you make a claim. If you choose a higher deductible, it may lower your premium. Ask your agent or broker how the amount of the deductible will affect your premium, and what the consequences of a change are.

Effective November 1, 2003, you have the choice to buy enhanced accident benefits for you and your family if you are not already protected by other insurance policies.

If you have insurance through work or through a disability plan, that insurance covers you first. You may not need additional Section B enhanced benefits. If you do not have other coverage available to you, it would be wise to review this enhanced benefit option with your insurance representative.

Who should I buy my insurance from?

In Nova Scotia, private non-government insurance companies provide all auto insurance. They use brokers, agents, and service representatives to sell their insurance policies. They compete for your business.

A broker sells insurance on behalf of a number of different insurance companies, and different brokers represent different companies. It's always wise to ask a broker who and how many different insurance companies they will contact on your behalf. You will want to make sure they shop around with many different insurance companies for the best value for you.

An agent represents a single company and may deal with different types of policies on behalf of that company. Shop around to different insurance companies to find the best service and policy for you.

It is also wise to ask friends, family, and co-workers about their experiences and for their recommendations. Be aware that the lowest price isn't always the best policy for you. When you're shopping around, make sure you talk to representatives about your specific needs.

Be sure to ask your insurance representative about the types of coverage they provide – regular, grey market, or facility association. This can be important to you if you or a family member has a poor driving record or is in a high risk category. Regular market is for people who pose low risk. Grey market for people who are more difficult to insure. Facility Association, the insurer of last resort, is for people who present the highest risk. Facility Association has the highest premium rates. Grey market is often an alternative for people who may otherwise be placed in Facility Association.

How do insurance companies determine rates?

Insurance companies keep very detailed statistics on the drivers they insure. These statistics help insurance companies predict the likelihood of your having an accident and determine the underwriting rules they should impose.

To assess your risk, the insurance company looks at your personal characteristics such as

- gender (the Nova Scotia Insurance Review Board will review whether use of gender should be allowed)
- where you live
- how you use your vehicle
- how far you drive each day
- who else is driving the vehicle
- driving record and accident claim history of all drivers
- value of your vehicle
- type of vehicle, including theft rating for that vehicle type
- the type of coverage you chose
- deductible amount

Insurance companies may **not** use age or marital status in determining your risk classification after November 1, 2004.

Premiums are also based on the specific coverages and deductibles you choose for your policy. If you buy optional coverages, you will pay more.

What are underwriting rules?

These are rules used by insurance companies to assess the risk they are being asked to take by insuring you. In Nova Scotia, these rules are established by the insurance companies and are based on their own business needs.

Underwriting is essentially an exercise in assessing risk. The guidelines and rate structures established by insurance companies are based on the past experience of many years and literally hundreds of thousands, indeed millions, of cases.

Each applicant for insurance is assessed against the higher or lower risk categories. Some of these have to do with the individual record or circumstance. Others have to do with that person's intended use of their automobile, how much they use their vehicle, or where they do most of their driving. Included in these considerations are such factors as where you live, how you use your vehicle, who else is regularly using your vehicle, your accident claim history and the claim histories of any regular users of your vehicle, and the value of your vehicle.

Once an underwriter has assessed your application, the company will decide whether to offer you a policy, and at what price (or premium). If you have made your inquiry through an independent broker, that person is expected to get quotes on your file from different companies to get you the best deal.

Can an insurance company use things like my age, gender, or other underwriting rules to deny me coverage?

No. On August 1, 2003, the provincial government introduced new rules that protect consumers against unfair discrimination. The rules will prohibit companies from refusing to issue or renew auto insurance for an existing or potential customer on the grounds of

- age
- gender
- marital status
- age of vehicle
- previous coverage by Facility Association
- a previous refusal of insurance coverage
- previous not-at-fault accidents
- making a late payment
- a lapse in auto insurance coverage less than two years long (unless it was because of a driver's licence suspension)

Does the type of vehicle I drive affect my insurance cost?
Yes, for collision or upset and comprehensive coverage. Many insurance companies use the Canadian Loss Experience Automobile Rating (CLEAR) System, which assigns premiums to vehicles according to their safety record and repair or replacement costs. For example, some vehicles may be more susceptible to theft than others. Some may be better designed and not damaged as easily. Some are less expensive to repair.

Who is covered in my auto policy?
All licensed drivers in the household should be listed on the policy if they are a resident of the household or a regular casual driver. Also, if you lend your auto to someone, you also lend your insurance coverage. Be aware that if the person you lend your auto to has an accident, it may affect your insurance record and premium.

Does the number of people I have on my policy make a difference?
As a vehicle owner, you are now allowed to adjust your policy to exclude people from using your vehicle. However, if you exclude someone from your policy, they must never drive your vehicle. If this excluded driver uses your vehicle and has an accident, your insurance will not cover the accident.

What if I have two cars? Should one adult be the primary driver on one and should the other be a primary driver on the other?
Yes. One person can't be the primary driver of both vehicles. The exception might be if one was a service vehicle. But in that case, the home vehicle would likely be occasional, not primary.

Things you should ask your insurance representative when seeking auto insurance

What kind of policy would be best for me?
Remember, this has a lot to do with your personal characteristics. Are you using your auto for work, or everyday use, like taking your kids to hockey? Are you a high-risk driver? Do you need optional coverage such as collision and comprehensive? Answer your insurance representative's questions truthfully and completely. If you don't, your insurance may be void. Having all relevant information will help your insurance representative find the best policy for you. Never be afraid to ask a lot of questions when deciding on or re-evaluating an insurance policy. It's best to ask now rather than after you suffer a loss.

After November 1, 2004, insurance companies can no longer use unfair factors in determining your level of risk and the price you should pay. This happens on April 1, 2004, for the Facility Association. These factors include whether or not you have other insurance coverage, claims you may have made in the past for accidents where you were not at fault, and a previous lapse in automobile coverage.

What is in a typical insurance policy?
Auto insurance is a very personalized product. Your personal characteristics affect what is covered in your policy. Each policy has four sections.

Section A – Third Party Liability
Section B – Accident Benefits
Section C – Loss of or Damage to Insured Automobile*
Section D – Uninsured and Unidentified Automobile Coverage

(*In Nova Scotia, only Section C is optional, the other sections of your policy are mandatory).

All vehicles driven on public roads or highways in Nova Scotia must be insured. Auto insurance is regulated under the Insurance Act of Nova Scotia. This act, and associated regulations, establishes the minimum levels of auto insurance coverage that every vehicle owner must carry and the minimum benefits that must be provided by that coverage.

Minimum requirements

Section A:
Liability insurance that covers you if you injure someone or damage someone else's property with your car.

Section B:
Accident benefits that provide you with medical and rehabilitation expense benefits, funeral expense benefits, and loss of income benefits.

Section D:
Uninsured and Unidentified Auto Insurance protects you if you are the victim in an accident with an uninsured or unidentified automobile.

Additional optional insurance

Section C (Optional):
Collision or Upset Insurance covers damage to your vehicle in the event of an accident, regardless of who is at fault, including yourself. There is usually a deductible amount of between $100 and $500 by which your claim or benefit is reduced.

Comprehensive Insurance covers loss or damage to your vehicle caused by theft, vandalism, fire or a collision with an animal. There is normally a deductible amount of $100 to $500.

Some consumers raise their deductible to $1000 if they feel they would not put in a claim for less than that amount to their insurer. A higher deductible usually results in a lower premium for the consumer. Ask your insurance representative about which deductible suits your needs.

Section B (New Enhanced Benefits)
Effective November 1, 2003, you have the choice to buy enhanced accident benefits for you and your family if you are not protected by other insurance policies. Please check with your insurance representative to see if they have this option available to you.

Is there a difference between the type of insurance coverage I would need if I purchased or leased a new auto as opposed to a used auto?
Yes. Many leasing and financial institutions will require you to purchase collision and comprehensives coverage on your new vehicle. Also, optional coverage called waiver of depreciation is available for new autos. This coverage provides protection against a deduction for depreciation for a fixed period, usually 24 months.

I own or am thinking about purchasing an older vehicle. Should I keep collision coverage?
Maybe. Collision coverage is optional in Nova Scotia. Consider the following and discuss with your insurance representative:

- If the value of the vehicle is limited, the cost of collision coverage or cost of repair may not be worth the extra insurance premiums.
- If someone damages your older car, it may be easier to deal with your own insurance company than the other person's insurance company.

Does the amount I drive affect my auto insurance?
Yes. Check with your insurance representative to ensure that you are being properly rated according to the amount you are driving.

How does the new $2500 cap affect me?
The cap means that you cannot get more than $2500 for pain and suffering for a minor injury. If you are involved in an accident in which you receive a minor injury, you will not be entitled to sue for more than $2500 for pain and suffering.

However, all other benefits remain the same. If you suffer a minor injury, you still receive full coverage for physiotherapy, medical treatment, drugs, medical equipment, and any other expenses related to your injury. You also continue to receive full coverage for economic loss, such as time missed from work.

Only accidents that occur on or after November 1, 2003, will be subject to the $2500 cap on pain and suffering awards for minor injuries.

How is a minor injury defined?

A minor injury is any personal injury that

(a) does **not** result in a permanent serious disfigurement

(b) does **not** result in a permanent serious impairment of an important bodily function caused by continuing injury which is physical in nature, or

(c) resolves within 12 months following the accident

The legislation defines a "permanent serious impairment" as an impairment that causes substantial interference with a person's ability to perform their usual daily activities or their regular employment.

There are regulations that further define types of injury. These regulations can be found on the website at www.gov.ns.ca/enla/insurance or by contacting the Department of Environment and Labour at 424-6331.

What is Facility Association?

Since auto insurance is mandatory for all drivers in Nova Scotia, provision must be made to ensure that insurance is available to all drivers, including very high-risk drivers. Some drivers have difficulty finding an insurance company that will accept them because of their previous driving record or other circumstances. These people may only find coverage through a non-profit group of insurance companies called Facility Association, also commonly known as the insurer of last resort. This group of insurance companies agrees to insure very high-risk drivers, but for relatively high premiums.

Facility Association rates are governed by the Nova Scotia Insurance Review Board.

You can find out if you're in Facility Association by looking at your insurance policy or by asking your broker.

What happens if I need to make a claim?
Call your company directly to report the claim.

The call will be assigned to an adjuster. An adjuster is a person who acts on behalf of an insurance company or an insured person in the settlement of claims.

Telephone adjusters handle straight forward claims, such as theft of a vehicle. They take a statement over the phone and proceed from there.

Field adjusters go to the scene, interview witnesses, and so forth. They usually deal with bodily injury claims, higher dollar value losses, and so on.

If companies are busy, such as after a hurricane, or if it is a special type of loss, such as a boat or boiler, the company may assign an independent adjuster to adjust the loss and have an in house "examiner" approve the work of the independent.

Appraisers may be on staff or contracted outside to appraise repair or replacement costs of an item and to pass this on to the adjuster.

Once coverage is confirmed, the claim is paid to the insured individual.

Once coverage is confirmed, the claim is paid to the insured individual. If there is a dispute, you have three years from the date of the accident to begin legal action on your claim.

Looking for the best insurance rates?

Insurance is a very personal product. Insurance companies evaluate the amount of risk they incur by insuring you. To keep this risk low and achieve the best rates, follow these tips:

- Maintain a **good driving history**. Obey the rules of the road. Speeding tickets and other moving violations will increase your risk to the insurance company and will increase your premiums to offset this risk.
- **Shop around** for the best price and service for your needs. Ask for brochures, check the yellow pages, or search the Internet for Nova Scotia insurance representatives.
- Consider **higher deductibles**. By contributing more toward the cost of a claim if you have an accident, you should see a lower premium.
- **Don't pay for coverage that you don't need.** For example, if you have an old car, it may not be worth having collision and comprehensive coverage.
- **Pay your premium on time.**
- **Know about the type of vehicle you're buying.** If you buy a car with a high theft rating, then your premium will be higher.
- **Seek out discounts.** Young drivers can get discounts by taking a safety course. Group rates are available through many companies, universities, and professional associations.
- **Know who you're buying insurance from.** Who do they represent? One company or many?
- **Ask lots of questions.** Ask your broker or agent a lot of questions to determine if they can find the right policy for you.

What is the government's role with regard to auto insurance?
The Office of the Superintendent of Insurance supervises the business of insurance in the province and enforces the Insurance Act.

The office licenses all insurers operating in the province and all insurance agents/brokers, agencies, and adjusters. The Superintendent has the authority to take disciplinary actions if the act is not followed.

The office can tell you the licensing status of your insurance company, agent, adjuster, or broker. It helps the public, insurers, and agents/brokers interpret the Insurance Act and regulations. It also answers general questions about insurance and directs you to industry resources as appropriate.

The office respond to complaints, enquires, or information about insurance matters, but does not settle insurance claims. It has no authority to direct a particular action to happen in the settlement of a claim. That is the decision for the insurer, and ultimately the courts.

What is the role of the new Nova Scotia Insurance Review Board?
The Nova Scotia Insurance Review Board's role is to protect the public interest and to ensure fairness in the insurance industry. More specifically, an insurance company wishing to increase its auto insurance rates or change its rules must apply to the board for permission and wait for approval. The board also generally oversees the industry.

The Insurance Review Board can be contacted at 424-8685.

What should I do if I have a complaint about my insurance?
If you have a complaint about the actions of an insurance company, agent, broker, or adjuster, take your complaint to the company. The company should have an ombudsperson to help you. If you are not happy with the company's response, then contact us.

Direct your complaint to
Office of the Superintendent of Insurance
P.O. Box 2271
Halifax, NS
B3J 3C8
Phone: (902) 424-6331
Fax: (902) 424-1298
Email: fininst@gov.ns.ca

absolute liability - the insurance company's responsibility to a third party regardless of any statutory breaches on the part of the insured

actual cash value - replacement or market value less depreciation

adjuster - a person who acts on behalf of an insurance company or an insured in the settlement of claims

agent/broker - a person who solicits or offers insurance products on behalf of insurance companies.

at-fault accident - those accidents which occur because of your own actions. Comprehensive claims such as windshield damage, or stolen stereos are not considered accidents. They are comprehensive claims made against that portion of your coverage, if you carry it for damage to your own vehicle.

cancellation - the termination of an insurance contract before it expires.

cancellation (flat) – an insurance company cancels a policy as of its effective date, without charging any premium to you. This may happen if an insurance company realizes it has given an incorrect quote. It may cancel the policy and refund all your money. It may also do this if they void the policy. It may void a policy if it determines that not all material information was provided to them to properly assess the risk.

cancellation (pro-rata) – an insurance company cancels a policy and adjusts the premium in proportion to the time the coverage was in effect. It refunds a portion of the premium back to you.

cancellation (short-rate) - an insurance company cancels a policy at your request before the expiry date and charges a premium larger than what would be applicable for the period insured. This must be provided for in the policy. Generally, this increased charge is made because fixed expenses have been incurred by the insurance company. Insurance companies often use fixed rate tables to calculate the premium they have earned.

claim - a demand for payment for a loss under an insurance policy

deductible - The amount of a claim that you are required to pay. For example, if you have $1000 worth of damage done to your car from vandalism and your deductible is $500, you will be responsible for $500 of the cost. The insurance company will pay for the other $500.

driving convictions - these are any offences under the Motor Vehicle Act or the Criminal Code of Canada. They include speeding, careless driving, impaired driving, not wearing a seatbelt. These convictions are included on your drivers abstract which insurance companies are able to obtain as part of their underwriting rules. If you have one or more driving conviction, your insurance premium will likely increase.

endorsement - a form amending the terms of the policy. Sometimes called a rider.

insurance premium - the price you pay for the insurance policy, based on the risk assessment

lapse in coverage – Companies rate a policy based on continuous insurance history. A short lapse in coverage is no longer a reason to decline someone insurance. It is however a factor in the rate charged by an insurer. Before cancelling a policy for a short term, check with your insurance broker to determine how the lapse in coverage will affect you and future insurability.

not-at-fault accidents - A not at fault accident occurs by action other than your own. For example, when you stop at a stop sign and someone hits your rear bumper. (Please note, a windshield or a stolen stereo are comprehensive claims and while they are also not at fault they do not involve the vehicle moving.)

risk - the likelihood that a person or thing insured may suffer injury, damage, or loss.

third party liability insurance - protects the insured against liability arising out of bodily injury or property damage to others

underwriter - a person who decides if an insurance risk is acceptable. He/she decides in what amount and on what terms the insurance company will accept the risk. Also called an insurer.

underwriting rules - rules used to assess the risk in insuring you. In Nova Scotia, these rules are established by the insurance companies and are based on their own business needs.

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